

TOWN OF CAPITOL HEIGHTS, MARYLAND
Capitol Heights, Maryland

FINANCIAL STATEMENTS

For The Year Ended June 30, 2013

BRIDGETT
MOCK

& ASSOCIATES, P.A.
Certified Public Accountants

TOWN OF CAPITOL HEIGHTS, MARYLAND
For The Year Ended June 30, 2013
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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Town Council
Town of Capitol Heights, Maryland

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Town of Capitol Heights, Maryland, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Capitol Heights, Maryland, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 - 11 and 34 - 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2013, on our consideration of the Town of Capitol Heights, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Capitol Heights, Maryland's internal control over financial reporting and compliance.

Waldorf, Maryland
October 24, 2013

Bridgett Mock & Associates, P.A.

TOWN OF CAPITOL HEIGHTS, MARYLAND MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Town of Capitol Heights, Maryland's annual financial report presents management's discussion and analysis of the Town's financial performance during the fiscal year ended June 30, 2013. Please read it with the Town's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The Town's assets exceeded its liabilities at the close of the most recent fiscal year by \$3,303,760 (net position). Of this amount, \$1,721,893 may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$798,416 as of June 30, 2013.
- As of the close of the current fiscal year, the Town's governmental funds reported an ending fund balance of \$1,869,471, an increase of \$747,015 from the prior year.
- The Town's pension fund that was frozen in 1992 liquidated prior to year end and the retirees are in the process of receiving either a lump sum payment or an annuity.
- The Town has continued to seek grant funding from the State and County to fund economic development and infrastructure improvement projects. Due to delays in funding, some funds from previous years may be expended over multiple years.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Required Supplementary Information*. The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Town's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Town government, reporting the Town's operations in *more detail* than the government-wide statements.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town's *net position* and how they have changed. Net position (the difference between the Town's assets and liabilities) is one way to measure the Town's financial health or position. Over time, increases or decreases in the Town's net position are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Town, you need to consider additional non-financial factors such as changes in the Town's property tax base and the condition of the Town's roads.

In the government-wide financial statements, the Town's activities are in one category:

- *Governmental activities* - All of the Town's basic services are included here, such as the police, public works, and general administration. Property taxes and state and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's *funds*, focusing on its most significant or "major" funds (not the Town as a whole). The Town has one major fund, the general fund. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by bond covenants. The Town Council can establish other funds to control and manage money for particular purposes.

The Town funds are divided into categories and are described below:

- *Governmental funds* - The Town's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets can be readily converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information in the reconciliation statements that explains the relationship (or differences) between them.
- *Fiduciary funds* such as the employee pension plans are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund Town programs. Fiduciary fund financial statements report similarly to proprietary funds.

Figure 1 shows how the various parts of this annual report are arranged and are related to one another.

Figure 1

Organization and Flow of Financial Section Information

Independent Auditor's Report

Provides the opinion of the Independent Auditor on the fair presentation of the financial statements.

Management's Discussion and Analysis

This supplementary information is required for state and local government financial statements, and is intended to provide a narrative introduction, overview, and analysis.

**Government-Wide
Financial Statements**

Provides information on governmental and business type activities of the primary government.

**Fund Financial
Statements**

Provides information on the financial position of specific funds of the primary government.

Notes to Financial Statements

Provides a summary of significant accounting policies and related disclosures.

Figure 2 summarizes the major features of the Town's financial statements, including the portion of the activities they cover and the types of information they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

Figure 2

Major Features of the Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Financial Statements - Government Funds
Scope	Entire Town (except fiduciary funds)	The activities of the Town that are not proprietary or fiduciary
Required financial statements	- Statement of net position - Statement of activities	- Balance sheet - Statement of revenues, expenditures, and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter
Type of in- flow/out-flow information	All revenues and expenses during the year	Revenues for which cash is received, expenditures when goods or services have been received, and related liabilities that are due and payable

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net Position

Net position may serve over time as a useful indicator of a government's financial position. The Town's combined assets exceeded liabilities by \$3,303,760 at the close of the most recent fiscal year.

Of the Town's total net position, \$1,385,867 is reflected as investment in capital assets net of depreciation and unamortized debt used to acquire those assets. Consequently, these assets are not available for future spending.

Also, the Town's net position includes \$196,000 restricted for use. This represents the amount restricted for the payment to retirees of their benefits from the frozen pension fund.

Unrestricted assets of \$1,721,893 of the Town represent the remaining 52.1% of the net position and may be used to meet the Town's ongoing obligations to citizens and creditors.

The following table presents a summary of the Statement of Net Position for the Town as of June 30, 2013 and 2012.

Table A-1

Condensed Statement of Net Position

	Governmental Activities	
	2013	2012
Current and other assets	\$ 2,090,089	\$ 1,221,324
Capital assets	1,451,715	1,486,264
Total Assets	3,541,804	2,707,588
Other liabilities	107,161	137,876
Non-current liabilities	130,883	64,368
Total Liabilities	238,044	202,244
Net Position	\$ 3,303,760	\$ 2,505,344
Net investment in capital assets	\$ 1,385,867	\$ 1,388,871
Restricted	196,000	-
Unrestricted	1,721,893	1,116,473
Total Net Position	\$ 3,303,760	\$ 2,505,344

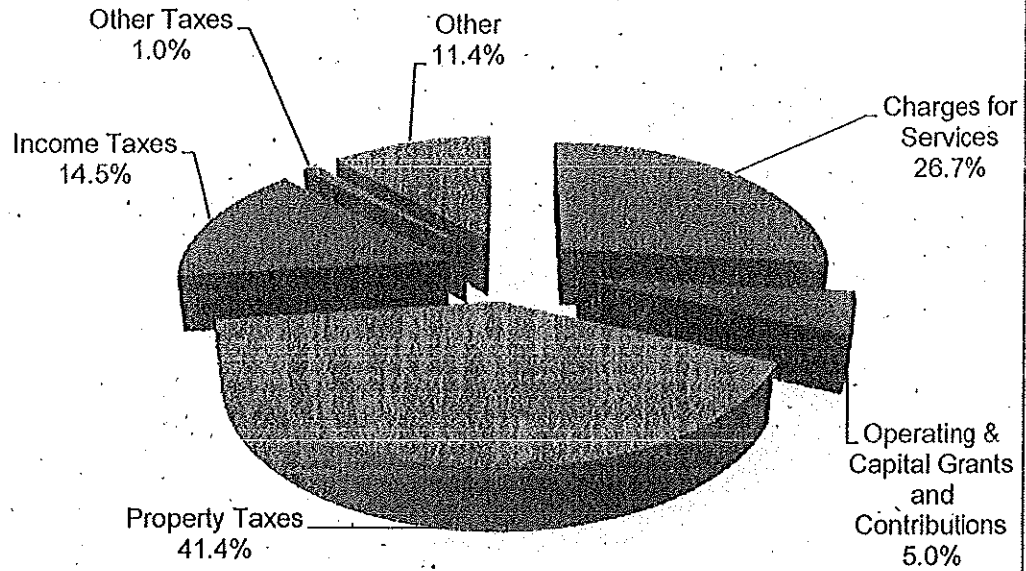
Changes In Net Position

The Town's revenue totaled \$3,147,808 (see Table A-2). Of the Town's revenue, 41.4% came from property taxes.

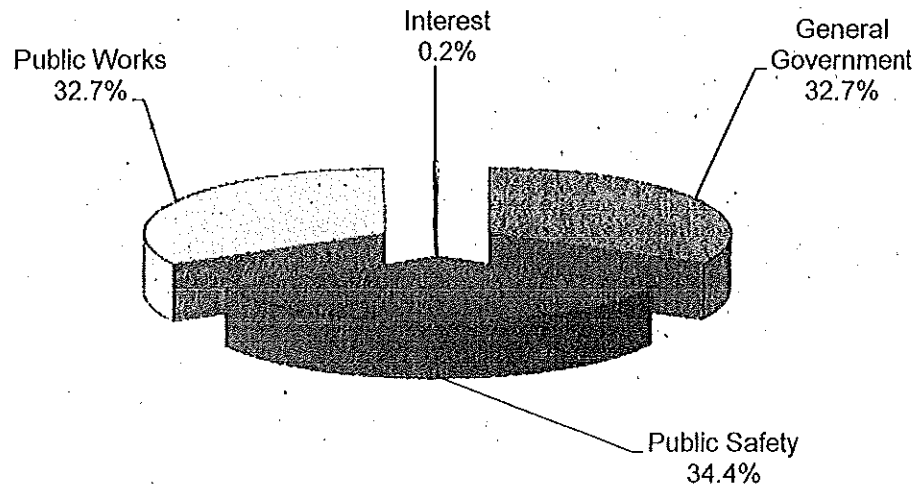
The total cost of all programs and services was \$2,349,392. The Town's expenses cover a range of services, with the cost of those services spread among general government, public works, and public safety.

The Town's net position increased by \$798,416.

SOURCES OF REVENUES FOR FISCAL YEAR 2013



FUNCTIONAL EXPENSES FOR FISCAL YEAR 2013



The following table presents a summary of the statement of activities for the Town for the year ended June 30, 2013 and 2012.

Table A-2
Condensed Statement of Activities

	Governmental Activities	
	2013	2012
Revenues		
Program revenues		
Charges for services	\$ 840,278	\$ 487,624
Operating grants and contributions	54,337	53,350
Capital grants and contributions	102,827	323,298
General revenues		
Taxes	1,791,097	1,553,636
Miscellaneous	32,563	113,989
Transfers	326,706	-
Total Revenues and Transfers	3,147,808	2,531,897
Expenses		
General government	767,781	877,986
Public safety	807,668	769,964
Public works	768,828	652,188
Interest	5,115	3,269
Total Expenses	2,349,392	2,303,407
Increase in Net Position	798,416	228,490
Net Position as of July 1, 2012	2,505,344	2,276,854
Net Position as of June 30, 2013	\$ 3,303,760	\$ 2,505,344

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As the Town completed the fiscal year 2013, its general fund reported a fund balance of \$1,869,471, a \$747,015 increase from last year. Of this fund balance, \$1,139,646 is available for working capital to support governmental operating needs, \$196,000 is restricted for pension costs, \$14,635 is nonspendable for prepaid expenses, \$100,000 is assigned to support the fiscal year 2014 budget, and \$419,190 is assigned for future projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The budget as adopted was amended during the year. Budgeted revenues exceeded actual revenues by \$299,256. Budgeted expenditures exceeded actual expenses by \$848,185.

In FY 2012-2013, changes were made to the budget to remove proposed grant dollars that were not obtained and corresponding expenses.

The Town has been successful in obtaining funds for various State grants. In this fiscal year, the Town expended funds for the EECGB Green Grant, CBDG PY 37 Street Repairs, and completed the Community Legacy grant funding that was issued in 2011. Over the next few years, staff will continue to improve grant reporting and process. In FY 2013, the Town sought out and received notification of funding for myriad of grants for infrastructure and economic development.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2013 was \$1,451,715 (net of accumulated depreciation). The investment in capital assets includes land, buildings, infrastructure, vehicles, equipment, and software. The following is a summary of the capital assets net of depreciation.

Capital Assets Net of Depreciation

	Governmental Activities	
	2013	2012
Land	\$ 1,098,471	\$ 1,098,471
Buildings	21,830	30,932
Infrastructure	185,397	197,394
Equipment	29,731	29,320
Vehicles	110,948	122,047
Software	5,338	8,100
Total	<u>\$ 1,451,715</u>	<u>\$ 1,486,264</u>

The Town's most significant purchase in this fiscal year included the purchase of two used vehicles and equipment for police department.

Long-Term Debt

At year-end, the Town had \$130,883 in outstanding debt. The Town's long-term debt consists of leases payable and accumulated unused compensated absences. Principal payments on the lease obligations for the year were \$31,545. The accumulated unused compensated absences increased by \$24,552.

Long-Term Liabilities

	Governmental Activities	
	2013	2012
Lease payable	\$ 65,848	\$ 97,393
Accumulated unused compensated absences	65,035	40,483
Total	<u>\$ 130,883</u>	<u>\$ 137,876</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- In FY 2013-2014, the Town maintained its tax rate at \$0.4619 per \$100 of assessed value. The Town maintained the business personal property tax at \$2.00 and the utility property tax rate at \$2.50 per \$100 of assessed value.
- The Town continues its effort to collect past due fines and fees on overdue police infractions which should positively influence the recovery of these line items.
- The budget format was revised for FY 2013-2014 and more information is available on the Town's website.
- The Town has hired a new Assistant Town Administrator and Neighborhood Services Manager to increase overall organizational operations, efficiency, and accountability. The Town has also updated its budget and record keeping software and sought outside consulting services in the revamping of reports and record keeping.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Treasurer's Office, Town of Capitol Heights, #1 Capitol Heights Boulevard, Capitol Heights, Maryland 20743. Website: www.capitolheightsmd.com

TOWN OF CAPITOL HEIGHTS, MARYLAND
STATEMENT OF NET POSITION
June 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 1,850,840
Accounts receivable	
Taxes	118,492
Other	43,197
Due from other governments	62,925
Prepaid expenses	14,635
Capital assets	
Land	1,098,471
Other capital assets, net of depreciation	<u>353,244</u>
Total Assets	<u>\$ 3,541,804</u>
LIABILITIES	
Accounts payable	\$ 44,251
Accrued expenses	62,910
Non-current liabilities	
Due within one year	28,449
Due in more than one year	<u>102,434</u>
Total Liabilities	<u>\$ 238,044</u>
NET POSITION	
Net investment in capital assets	\$ 1,385,867
Restricted for pension benefits	196,000
Unrestricted	<u>1,721,893</u>
Total Net Position	<u>\$ 3,303,760</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF CAPITOL HEIGHTS, MARYLAND
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2013

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Mayor and council	\$ 68,948	\$ -	\$ -	\$ -	\$ (68,948)
Administration	698,833	109,101	-	57,357	(532,375)
Public safety	807,668	166,877	43,613		(597,178)
Public works	768,828	564,300	10,724	45,470	(148,334)
Interest	5,115	-	-	-	(5,115)
Total Governmental Activities	\$ 2,349,392	\$ 840,278	\$ 54,337	\$ 102,827	(1,351,950)
General revenues					
Taxes					
Property taxes					1,302,466
Income taxes					456,078
Other taxes					32,553
Miscellaneous					32,563
Transfers					326,706
Total General Revenues and Transfers					2,150,366
Change in net position					798,416
Net position - beginning					2,505,344
Net position - ending					\$ 3,303,760

The accompanying notes are an integral part of these financial statements.

TOWN OF CAPITOL HEIGHTS, MARYLAND

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2013

	General Fund
ASSETS	
Cash and investments	\$ 1,850,840
Taxes receivable	118,492
Due from other governments	62,925
Prepaid expenses	14,635
Other receivables	43,197
Total Assets	<u>\$ 2,090,089</u>
LIABILITIES	
Accounts payable	\$ 44,251
Accrued expenses	61,558
Deferred revenue	114,809
Total Liabilities	<u>220,618</u>
FUND EQUITY	
Restricted - pension benefits	196,000
Nonspendable - prepaid expenses	14,635
Assigned	
For subsequent year expenditures	100,000
Future projects	419,190
Unassigned	1,139,646
Total Fund Balance	<u>1,869,471</u>
Total Liabilities And Fund Equity	<u>\$ 2,090,089</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF CAPITOL HEIGHTS, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
For The Year Ended June 30, 2013

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS

\$ 1,869,471

AMOUNTS REPORTED IN GOVERNMENTAL ACTIVITIES
IN THE STATEMENT OF NET POSITION ARE
DIFFERENT BECAUSE

Capital assets used in governmental
activities are not financial resources
and, therefore, are not reported in
the funds.

Cost of capital assets
Accumulated depreciation

2,192,381

740,666

1,451,715

Long-term liabilities are not due and
payable in the current period and,
therefore, are not reported as
liabilities in the funds.

(130,883)

Accrued interest payable on long-term
debt does not require current financial
resources. Therefore, interest payable
is not reported as a liability in
governmental funds balance sheet.

(1,352)

Certain receivables are offset by
deferred revenue in the governmental
funds since they are not available to
pay for current-period expenditures.
This is the amount of deferred revenue
related to these receivables.

114,809

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 3,303,760

The accompanying notes are an integral part of these financial statements.

TOWN OF CAPITOL HEIGHTS, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2013

	General Fund
REVENUES	
Taxes	\$ 1,712,469
Licenses and permits	109,101
Intergovernmental	157,164
Fines and forfeitures	165,769
Service charges	565,408
Miscellaneous	32,563
	<hr/>
Total Revenues	2,742,474
EXPENDITURES	
General government	
Mayor and council	68,948
Administration	683,380
Public safety	785,436
Public works	747,412
Debt service	
Principal	31,545
Interest	5,444
	<hr/>
Total Expenditures	2,322,165
	<hr/>
EXCESS OF REVENUES OVER EXPENDITURES	420,309
OTHER FINANCING SOURCES	
Transfers in	326,706
	<hr/>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES	747,015
FUND BALANCES - BEGINNING	1,122,456
	<hr/>
FUND BALANCES - ENDING	\$ 1,869,471
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

TOWN OF CAPITOL HEIGHTS, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2013

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 747,015

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN
THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense in the current period.

Capital outlays

35,958

Depreciation

(70,507)

(34,549)

The issuance of long-term debt provides financial resources to governmental funds while the repayment of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net assets.

Repayments

31,545

Interest expense in the Statement of Activities differs from the amount reported in governmental funds due to the net change in accrued interest.

329

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as an expenditure in the governmental funds. This is the amount by which accumulated unused compensated absences increased.

(24,552)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

78,628

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 798,416

The accompanying notes are an integral part of these financial statements.

TOWN OF CAPITOL HEIGHTS, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2013

	Pension Trust Funds
ASSETS	
Investments, at fair value	\$ -
NET POSITION	
Held in trust for pension benefits	\$ -

The accompanying notes are an integral part of these financial statements.

TOWN OF CAPITOL HEIGHTS, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For The Year Ended June 30, 2013

	Pension Trust Funds
ADDITIONS	
Net investment gain	\$ 14,217
Total Additions	14,217
DEDUCTIONS	
Benefits paid to members	13,847
Administrative expenses	3,562
Transfers out to general fund	326,706
Total Deductions	344,115
CHANGE IN NET POSITION	(329,898)
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	329,898
End of year	\$ -

The accompanying notes are an integral part of these financial statements.

TOWN OF CAPITOL HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The Town of Capitol Heights, Maryland (the Town) is governed under the Town Manager/Council form of government. The Town engages in a comprehensive range of municipal services, including general government administration, public safety and administration of justice, refuse collection, street and sidewalk maintenance, street lighting, zoning enforcement, health, welfare and human service programs, planning, community development, and recreation, and cultural and historic activities.

The accounting and reporting policies of the Town relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments.

B. Financial Reporting Entity

The Town's basic financial statements include the accounts of all Town operations. The Town has no component units as defined by generally accepted accounting principles.

C. Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all nonfiduciary activities of the Town. Governmental activities are supported by taxes and intergovernmental revenues, whereas business-type activities are those supported through customer service charges. The Town does not have any business-type activities.

The statement of net position is designed to display the financial position of the Town as of the year end. Governmental activities are reported on a consolidated basis and are reported on a full accrual economic resource basis, which recognizes all long-term assets, as well as long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

TOWN OF CAPITOL HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fund Financial Statements

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present the major fund as a separate column on the fund financial statements. All nonmajor funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The Town has one major governmental fund, the General Fund.

General Fund

General Fund is the main operating fund of the Town. This fund is used to account for all financial resources not accounted for in other funds. This is the only major fund of the Town. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

Fiduciary Funds

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use of accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others and cannot be used to support government's programs. The following fiduciary fund type is reported:

The Pension Trust Fund is used to administer the resources received and account for assets held by the Town in a trustee capacity. This fund is accounted for as an expendable trust fund which accounts for contributions from the Town and its employees and disbursements of retirement benefits to Town employees. The Town has contracted with various financial institutions and insurance carriers to provide fiscal agent services including the accounting, investment, and disbursement services related to this fund.

During the year ended June 30, 2013, this fund was closed (see Note 7).

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

TOWN OF CAPITOL HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus/Basis of Accounting (continued)

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income, and intergovernmental revenues. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

Estimates.

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Assets, Liabilities, and Net Position or Equity

Cash And Investments

For the purpose of the Statement of Net Position, "cash and investments" includes all demand, savings accounts, and investments of the Town. Investments are carried at fair value. Fair value is based on quoted market price.

TOWN OF CAPITOL HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Position or Equity (continued)

Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include taxes, franchise taxes, and grants.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

Capital Assets

Capital assets which include property, plant and equipment, and infrastructure are reported in the governmental fund in the government-wide financial statements. The Town defines capital assets as those which individually have an acquisition cost or donated value of at least \$500 and an estimated useful life of more than one year. Such assets are valued at historical or estimated historical cost if actual is not available. Donated assets are stated at their donated value at the date of donation. The cost of normal maintenance and repairs that do not add value or extend asset lives are not capitalized.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. The Town defines infrastructure assets to be capitalized as any road, street, and sidewalk which exceeds a certain cost of \$100,000.

Expenditures for major assets and improvements are capitalized as the assets are acquired or constructed. Interest on debt during the construction period is capitalized. Exhaustible capital assets are depreciated, which is charged as an expense against their operations. Accumulated depreciation is reported in the Statement of Net Position. Depreciation has been provided over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Buildings	25-50 years
Improvements other than buildings	10-50 years
Equipment	3-10 years

TOWN OF CAPITOL HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Position or Equity (continued)

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest is reported as expenditures.

Compensated Absences

The Town's policies regarding annual leave up to 240 hours permit employees to accumulate earned but unused annual leave. Also, the Town allows the employees upon termination to be paid for their accumulated annual leave up to a maximum of 30 days. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends.

Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net Investment in Capital Assets: Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Position: Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted Net Position: All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned.

TOWN OF CAPITOL HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Position or Equity (continued)

Equity Classifications (continued)

Fund Statements (continued)

- *Nonspendable fund balance* - Amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted fund balance* - Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed fund balance* - Amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority.
- *Assigned fund balance* - Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official body to which the governing body delegates the authority.
- *Unassigned fund balance* - Amounts that are available for any purpose; these amounts are reported only in the general fund.

F. Revenues, Expenditures, and Expenses

Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property. Taxes are levied on July 1 and are due and payable at that time. All unpaid taxes levied July 1 become delinquent on October 1 and are sold at tax sale by the end of 18 months.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end.

Real and personal property taxes are levied at rates enacted by the Mayor and Town Council in the annual budget on the assessed value as determined by Maryland State Department of Assessment. The current rate is \$0.4619 cents per \$100 of assessed value for real property, \$2.00 per \$100 of assessed value for business personal property, and \$2.50 for public utilities.

Expenditure/Expenses

In the government-wide financial statements, expenses are classified by function for governmental activities.

In the fund financial statements, expenditures are classified as follows:

Governmental funds -	Current (further classified
by character	by function)
	Debt service
	Capital outlay

TOWN OF CAPITOL HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F: Revenues, Expenditures, and Expenses (continued)

Expenditure/Expenses (continued)

In the fund financial statements, governmental funds report expenditures of financial resources.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the Town is subject to various federal, state, and local laws and contractual regulations. An analysis of the Town's compliance with significant laws and regulations and demonstration of its stewardship over Town resources follows.

Budgetary Information

Formal budgetary integration is employed as a management control device during the year for the General Fund. An annual budget is adopted for the General Fund. The annual budget is presented at a public hearing before the beginning of the year and enacted by the Town Council before July 1. Budget revisions, if needed, are enacted by the Town Council. Appropriations lapse at year-end. The Town does not employ encumbrance accounting. The Town Council approved, by ordinance, the total annual budget consisting of anticipated revenues and proposed expenditures (appropriations). Any changes in the adopted budget for any purposes must be approved by the Council before coming effective. All appropriations lapse at the end of the budget year to the extent that they shall not have been expended.

Actual results of operations are presented in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund on the non-GAAP budgetary basis of accounting in order to provide a meaningful comparison of actual results with budget estimates.

NOTE 3 - CASH AND INVESTMENTS

Deposits

At year-end, the carrying value of the Town's deposits was \$1,431,650 and the bank balance was \$1,462,007.

The Town's deposits were subject to custodial credit risk, which is defined as "the risk that a government will not be able to recover deposits if the depository financial institution fails." The amount uninsured and uncollateralized at June 30, 2013 was \$1,212,007. This is in violation of Maryland law. The Town is in the process of contracting with the bank to provide collateral for its deposits in excess of insured amounts.

TOWN OF CAPITOL HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

NOTE 3 - CASH AND TEMPORARY INVESTMENTS (continued)

Investments

The Town of Capitol Heights may invest in U.S. Treasury obligations, U.S. Government Agency Securities, repurchase agreements secured by U.S. Treasury obligations or U.S. Government Agency Securities, the Maryland Local Government Investment Pool, interest bearing accounts in any bank as provided by Article 95, Section 22 of the Annotated Code of Maryland or shares in an investment company or investment trust as provided by Article 95, Section 22N of the Annotated Code of Maryland.

The pension trust fund's investment portfolio included investments in fixed income securities, equities, and money market funds. These funds were liquidated and transferred to the general fund during the year ended June 30, 2013.

As of June 30, 2013, the Town had the following investments:

Investment Type	Fair Value
Maryland Local government Investment Pool	\$ 419,190
	<u>\$ 419,190</u>

At June 30, 2013, the Town's investments totaling \$419,190 were in the Maryland Local Government Investment Pool (MLGIP), which provides all local government units of the State a safe investment vehicle for the short-term investment of funds. The State Legislature created MLGIP with the passage of Article 95 22G of the Annotated Code of Maryland. The MLGIP, under the administrative control of the State Treasurer, has been managed by a single Baltimore based financial institution, Mercantile-Safe Deposit and Trust Company. The pool has an AAAm rating from Standard and Poors and maintains a \$1.00 per share value. An MLGIP Advisory Committee of current participants was formed to review, on a quarterly basis, the activities of the Fund and to provide suggestions to enhance the pool. The fair market value of the pool is the same as the value of the pool shares.

Additionally, in accordance with reporting requirements of GASB Standard No. 40, the Town does not have any interest rate risk associated with investments. Investments in the MLGIP and repurchase agreements are priced on a daily basis, with funds availability also on a daily basis. It should also be noted that the Town does not have any foreign currency risk associated with any investments.

NOTE 4 - DUE FROM OTHER GOVERNMENTS

As of June 30, 2013, the account titled "Due from Other Governments" consisted of the following:

<u>State of Maryland</u>	
Income tax	\$ 53,055
Highway user tax	7,198
Grants	970
<u>Prince George's County</u>	
Community legacy grant	249
Amusement tax	876
Other	577
	<u>\$ 62,925</u>

TOWN OF CAPITOL HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance at June 30, 2012	Additions	Transfers/ Deletions	Balance at June 30, 2013
Governmental activities				
Capital assets not being depreciated or amortized				
Land	\$ 1,098,471	\$ -	\$ -	\$ 1,098,471
Capital assets being depreciated or amortized				
Infrastructure	239,946	-	-	239,946
Buildings	347,769	-	-	347,769
Equipment	146,429	17,958	1,200	163,187
Vehicles	376,741	18,000	62,408	332,333
Software	10,675	-	-	10,675
Total Capital Assets Being Depreciated Or Amortized	1,121,560	35,958	63,608	1,093,910
Less - accumulated depreciation/amortization for				
Infrastructure	42,552	11,997	-	54,549
Buildings	316,837	9,102	-	325,939
Equipment	117,109	17,547	1,200	133,456
Vehicles	254,694	29,099	62,408	221,385
Software	2,575	2,762	-	5,337
Total Accumulated Depreciation or Amortization	733,767	70,507	63,608	740,666
Total Capital Assets Being Depreciated/ Amortized, Net	387,793	(34,549)	-	353,244
Governmental Activities Capital Assets, Net	\$ 1,486,264	\$ (34,549)	\$ -	\$ 1,451,715

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental activities	
General government and administration	\$ 9,309
Public safety	38,226
Public works	22,972
Total Depreciation Expense - Governmental Activities	<u>\$ 70,507</u>

NOTE 6 - NON-CURRENT LIABILITIES

The following is a summary of changes in long-term debt for the year ended June 30, 2013.

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013	Amounts Due Within One Year
Capital lease payable	\$ 97,393	\$ -	\$ 31,545	\$ 65,848	\$ 28,449
Compensated absences	40,483	24,552	-	65,035	-
	<u>\$ 137,876</u>	<u>\$ 24,552</u>	<u>\$ 31,545</u>	<u>\$ 130,883</u>	<u>\$ 28,449</u>

TOWN OF CAPITOL HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

NOTE 6 - NON-CURRENT LIABILITIES (continued)

Capital Lease

During fiscal year 2012, the Town entered into a capital lease for \$33,267 with Ford Motor Credit Company to purchase one vehicle for the Public Works Department. The lease has an interest rate of 6.5%. The lease repayment schedule calls for ten semi-annual payments in advance of principle and interest of \$3,825.

During fiscal year 2012, the Town entered into a capital lease for \$90,725 with Ford Motor Credit Company to purchase three Chevrolet Impala police vehicles. The lease has an interest rate of 5.6% and a maturity date of January 27, 2015. The lease repayment schedule calls for four consecutive annual payments in advance of principal and interest of \$24,564.

During fiscal year 2009, the Town entered into a capital lease for \$31,027 from Ford Motor Company to purchase a 2009 Chevy Impala for the Police Department. The lease has an interest rate of 6.15% and a maturity date of December 19, 2012. The lease repayment schedule calls for three quarterly payments of principle and interest of \$1,500 and thirteen quarterly payments of principle and interest of \$2,385.09. The lease was paid off during fiscal year 2013.

The future minimum lease obligation and net present value of these minimum lease payments as of June 30, 2013 are as follows:

Years Ending June 30,	
2014	\$ 32,219
2015	32,218
2016	7,651
Total payments	<u>72,088</u>
Less amount representing interest	6,240
Present value of lease payments	<u>\$ 65,848</u>

NOTE 7 - PENSION PLANS

Single Employer Defined Benefit Retirement Plan

Effective July 1, 1983, the Town adopted a Single Employer Defined Benefit Retirement Plan administered by the Mayor and Council. All elected officials and all other employees who work at least 20 hours a week and six months a year were eligible to participate in the plan until it was frozen in 1992. Each participant was required to contribute 2.5% of their annual compensation to the plan. The balance of the funding was provided by the Town. Benefits are available for death, disability or retirement. The normal retirement age is 55, and the normal retirement benefit is 50% of the average of the three highest consecutive calendar years of compensation during the ten years prior to retirement. These benefits are reduced 1/20th for each year of service less than 20.

TOWN OF CAPITOL HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

NOTE 7 - PENSION PLANS (continued)

Single Employer Defined Benefit Retirement Plan (continued)

Effective December 31, 1992, the Town "froze" the plan. As of that date, the benefits earned by each participant were calculated and "locked in" until each participant had a right to withdraw or otherwise receive benefits.

The Town made annual contributions to the plan prior to December 31, 1996 based upon an actuarially-determined rate. The Town made a \$310,000 contribution to the plan in the year ended June 30, 2003.

In fiscal year 2013, the Town contracted to have a study done to determine the estimated annuity purchase cost or the estimated lump sum values due to the Town's retirees.

The retirees were notified and requested to select a lump sum benefit payment or an annuity. Prior to June 30, 2013, the Town transferred from the pension investment account \$326,706 to the Town's general fund operating account. The amount calculated to cover the retirees' costs of annuities or a lump sum distribution is approximately \$196,000.

457 Deferred Compensation Plan

All employees of the Town government may participate in the deferred compensation plan organized under the Internal Revenue Code Section 457, and administered by the International City Management Association Retirement Corporation ("ICMA-RC"). Under the terms of the plan, participating employees may have a portion of their salaries withheld, subject to limitations imposed by the Internal Revenue Service, and invested in the plan. All taxes are deferred on these contributions and related earnings until the participant terminates from the plan. The Town is in compliance with the Internal Revenue Code Section 457(g) requiring all assets and income of the plan to be held in trust for the exclusive benefit of participants and their beneficiaries. Management's involvement with the plan is limited to transferring amounts withheld from payroll to the Plan Administrator. Management has little administrative involvement with the plan and does not perform the investing function for the plan. Accordingly, the fair values of the plan assets are not reflected in the Town's financial statements.

Defined Contribution

The Town of Capitol Heights Governmental Money Purchase Plan & Trust is a defined contribution pension plan established in May 2013 to provide benefits to all full time employees. The plan requires the Town to match employees' contributions to the 457 Deferred Compensation Plan up to 5%. Plan provisions and contribution requirements are established and may be amended by the Town Council. The plan administrator is ICMA-RC. Participation in this Plan by Town employees began in July 2013.

TOWN OF CAPITOL HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

NOTE 8 - RISK OF LOSS

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The Town's general liability risks are financed through the Town's participation in the Maryland Local Government Insurance Trust (MLGIT), a public entity risk pool currently operating as a common risk management and insurance program for municipal governments in the State of Maryland. The agreement with the MLGIT provides that the Town will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000. The Town continues to carry commercial insurance for employees' health and accident insurance and workers' compensation. Settled claims resulting from these risks have not exceeded the insurance coverage, nor have significant reductions to insurance coverage occurred, in any of the past three fiscal years.

NOTE 9 - CONTINGENT LIABILITIES

The Town is a defendant in various lawsuits. In the opinion of Town management, such litigation will not have a material adverse effect on the financial position of the Town.

The Town receives federal and state grants through Maryland and Prince George's County for specific purposes. These grants are subject to review and audit by various cognizant agencies. Such audits could result in a request for reimbursement if any expenditures are disallowed under the terms and conditions of the granting authority, and the grant contracts. In the opinion of Town Management, such disallowances, if they should occur, would not be significant.

NOTE 10 - POST RETIREMENT BENEFITS

The Town has no liability for post retirement benefits at June 30, 2013.

TOWN OF CAPITOL HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

NOTE 11 - NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD STANDARDS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2013 that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the Town:

GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was effective for the Town beginning with its year ending June 30, 2013. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012, effective for financial statements for periods beginning after December 15, 2012.

Statement No. 66, *Technical Corrections - 2012 an amendment of GASB Statements No. 10 and No. 62*, issued March 2012, effective for financial statements for periods beginning after December 15, 2012.

Statement No. 67, *Financial Reporting for Pension Plans, and amendment of GASB Statement No. 25*, issued March 2012, effective for financial statements for periods beginning after December 15, 2012.

Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, issued June 2012, effective for financial statements for periods beginning after June 15, 2014.

The Town will implement these statements as necessary as of their effective dates. While the Town is still in the process of determining the effect of implementing these GASB statements, they are not expected to have a material effect on the financial position of the Town.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent events and transactions have been evaluated for potential recognition in the financial statements through October 24, 2013, the day the financial statements were available to be issued. Subsequent to year end, the Town purchased two parcels of land at a total cost of \$442,803.

TOWN OF CAPITOL HEIGHTS, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2013

BRIDGETT
MOCK
& ASSOCIATES, P.A.
Certified Public Accountants

TOWN OF CAPITOL HEIGHTS, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - NON GAAP BUDGETARY BASIS
GENERAL FUND
For The Year Ended June 30, 2013

	Original Budget	As Amended Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES				
Taxes	\$ 1,514,800	\$ 1,514,800	\$ 1,712,469	\$ 197,669
Licenses and permits	96,700	96,700	109,101	12,401
Intergovernmental	866,000	916,000	157,164	(758,836)
Fines and forfeitures	71,000	124,230	165,769	41,539
Service charges	305,000	304,000	565,408	261,408
Miscellaneous	81,100	86,000	32,563	(53,437)
Total Revenues	2,934,600	3,041,730	2,742,474	(299,256)
EXPENDITURES				
General government	688,450	802,250	752,328	49,922
Public safety	756,500	790,750	814,774	(24,024)
Public works	1,514,650	1,577,350	755,063	822,287
Total Expenditures	2,959,600	3,170,350	2,322,165	848,185
EXCESS OF REVENUES OVER EXPENDITURES	(25,000)	(128,620)	420,309	548,929
APPROPRIATION OF FUND BALANCE	25,000	128,620		(128,620)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ 420,309	\$ 420,309

TOWN OF CAPITOL HEIGHTS, MARYLAND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS
GENERAL FUND
For The Year Ended June 30, 2013

	Original Budget	As Amended Budget	Actual	Variance - Favorable (Unfavorable)
Taxes				
General property taxes				
Real estate taxes	\$ 1,054,000	\$ 1,054,000	\$ 1,038,136	\$ (15,864)
Personal property and utility taxes	171,000	171,000	163,025	(7,975)
Penalties and interest/ real estate taxes	-	-	22,677	22,677
	<u>1,225,000</u>	<u>1,225,000</u>	<u>1,223,838</u>	<u>(1,162)</u>
State shared taxes				
Admission and amusement tax	3,500	3,500	5,760	2,260
Highway user tax	41,300	41,300	26,793	(14,507)
Local income tax	245,000	245,000	456,078	211,078
	<u>289,800</u>	<u>289,800</u>	<u>488,631</u>	<u>198,831</u>
Total Taxes	<u>1,514,800</u>	<u>1,514,800</u>	<u>1,712,469</u>	<u>197,669</u>
Licenses and permits				
Asset forfeiture	1,000	1,000	-	(1,000)
Franchise fee	45,000	45,000	69,777	24,777
Business license	25,000	25,000	20,348	(4,652)
Rental license	17,500	17,500	12,525	(4,975)
Building permits	2,500	2,500	6,451	3,951
Parking permits	700	700	-	(700)
Cable franchise application	5,000	5,000	-	(5,000)
	<u>96,700</u>	<u>96,700</u>	<u>109,101</u>	<u>12,401</u>
Intergovernmental				
Community development block grant	-	-	970	970
State aid for police protection	45,000	45,000	43,613	(1,387)
Community legacy grant	-	-	26,249	26,249
Police grants	3,000	3,000	-	(3,000)
Green grant	-	-	21,537	21,537
Tipping fee rebate	7,000	7,000	10,724	3,724
Community legacy FY 2011	100,000	100,000	-	(100,000)
Community legacy FY 2012	200,000	200,000	-	(200,000)
Community legacy FY 2013	-	50,000	-	(50,000)
CDBG - PY 37	311,000	311,000	44,500	(266,500)
CDBG - PY 38	200,000	200,000	9,571	(190,429)
	<u>866,000</u>	<u>916,000</u>	<u>157,164</u>	<u>(758,836)</u>

TOWN OF CAPITOL HEIGHTS, MARYLAND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS
GENERAL FUND
(continued)

For The Year Ended June 30, 2013

	Original Budget	As Amended Budget	Actual	Variance - Favorable (Unfavorable)
Fines and forfeitures				
Traffic tickets & parking citations	15,000	15,000	19,610	4,610
Impounds	15,000	18,000	19,685	1,685
Code enforcement receipts	1,000	1,000	435	(565)
Red light camera	25,000	90,230	126,039	35,809
Speed camera receipts	15,000	-	-	-
	<u>71,000</u>	<u>124,230</u>	<u>165,769</u>	<u>41,539</u>
Service charges				
Refuse collection	300,000	300,000	564,300	264,300
Fingerprints	5,000	4,000	1,108	(2,892)
	<u>305,000</u>	<u>304,000</u>	<u>565,408</u>	<u>261,408</u>
Miscellaneous				
CH Hoops Classic	2,500	2,500	1,635	(865)
Capitol Heights Day donations	5,000	5,000	6,150	1,150
Sponsorship & Marketing	5,000	5,000	-	(5,000)
Donations	1,000	1,000	1,890	890
Interest income	1,500	1,500	543	(957)
Office of Crime Control	5,000	5,000	-	(5,000)
Safety programs	1,000	1,000	-	(1,000)
Sale of surplus property	40,000	40,000	-	(40,000)
Senior program fees	100	-	-	-
Miscellaneous income	15,000	20,000	19,028	(972)
Call-A-Bus	5,000	5,000	3,317	(1,683)
	<u>81,100</u>	<u>86,000</u>	<u>32,563</u>	<u>(53,437)</u>
Prior years surplus	<u>25,000</u>	<u>128,620</u>	<u>-</u>	<u>(128,620)</u>
Total Revenues	<u>\$ 2,959,600</u>	<u>\$ 3,170,350</u>	<u>\$ 2,742,474</u>	<u>\$ (299,256)</u>

TOWN OF CAPITOL HEIGHTS, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS
GENERAL FUND
For The Year Ended June 30, 2013

	Original Budget	As Amended Budget	Actual	Variance - Favorable (Unfavorable)
General government				
Mayor and council				
Personnel				
Mayor and council salary	\$ 49,500	\$ 49,500	\$ 42,217	\$ 7,283
Total Personnel	49,500	49,500	42,217	7,283
Operating				
Mayor expenses	2,500	2,500	1,870	630
Council expenses	3,000	3,000	5,821	(2,821)
Council meeting expenses	1,000	1,000	131	869
Mayor traveling expenses	2,000	2,000	-	2,000
Council traveling expenses	2,500	2,500	548	1,952
Membership dues and registration	4,100	4,100	3,653	447
MML conferences	8,000	8,000	14,708	(6,708)
Total Operating	23,100	23,100	26,731	(3,631)
Total Mayor And Council	72,600	72,600	68,948	3,652
Administration				
Personnel				
Salary	280,000	275,000	278,662	(3,662)
Contract labor	-	-	2,021	(2,021)
Benefit payments	-	-	6,981	(6,981)
Social security taxes	-	-	24,551	(24,551)
Health insurance	20,000	30,500	27,679	2,821
Insurance - unemployment	7,500	11,500	6,527	4,973
Pension	3,000	3,000	840	2,160
Life insurance	1,000	1,500	1,135	365
Total Personnel	311,500	321,500	348,396	(26,896)
Operating				
Professional				
Advertising	4,000	4,000	2,962	1,038
Membership dues and subscriptions	2,300	2,300	969	1,331
Professional development	1,000	2,300	2,620	(320)
Town administrator's expenses	1,000	1,700	1,537	163

TOWN OF CAPITOL HEIGHTS, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS
GENERAL FUND
(continued)
For The Year Ended June 30, 2013

	Original Budget	As Amended Budget	Actual	Variance - Favorable (Unfavorable)
Building				
Building maintenance and repairs	2,500	2,500	3,377	(877)
Electricity	5,000	5,000	3,998	1,002
Gas - heating	2,000	2,000	1,577	423
Pest control	1,000	1,000	887	113
Security alarm	1,500	5,000	5,107	(107)
WSSC - water and sewer	250	500	319	181
Green grant	-	22,500	22,422	78
Call-A-Bus				
Salary - Call A Bus driver	25,000	25,000	-	25,000
Gas & oil - vehicles	2,500	2,500	731	1,769
Vehicle maintenance	1,000	1,000	1,226	(226)
Cell phone (bus driver)	500	500	-	500
Contingency/Call-A-Bus	3,000	2,000	-	2,000
Equipment and supplies				
Computer support and supplies	10,000	12,050	12,457	(407)
Equipment rental	12,000	14,000	11,860	2,140
Office supplies	7,000	9,000	7,632	1,368
Office furniture	500	250	-	250
Communications				
Postage	5,000	5,000	4,163	837
Telephone - land line	3,500	7,500	9,383	(1,883)
Telephone - mobile	5,200	8,200	4,889	3,311
Public relations				
Community promotions	5,000	4,000	6,801	(2,801)
Senior citizen's support	2,000	2,000	1,080	920
Youth program support	6,000	6,000	3,210	2,790
Donations and contributions	2,000	3,000	1,000	2,000
School donations	1,000	1,000	-	1,000
Property development	2,000	2,000	-	2,000
Events - Capital Heights day	10,000	10,000	10,047	(47)
Events - Veteran's day	500	700	667	33
Events - CH Hoops Classic	1,500	4,300	4,032	268
Christmas party	500	750	474	276
Newsletter	2,000	2,000	719	1,281

TOWN OF CAPITOL HEIGHTS, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS
GENERAL FUND
(continued)

For The Year Ended June 30, 2013

	Original Budget	As Amended Budget	Actual	Variance - Favorable (Unfavorable)
Fees and charges				
Accounting services	12,000	17,000	15,000	2,000
Audit fees	17,500	17,500	17,296	204
Bank charges	-	-	3,319	(3,319)
Economic development	40,000	40,000	36,399	3,601
Insurance - general liability	12,500	27,500	38,995	(11,495)
Insurance - workmen's comp (IWIF)	35,000	35,000	17,074	17,926
Legal fees	45,000	53,000	54,493	(1,493)
Merrill Lynch - fees and charges	300	300	1,500	(1,200)
Payroll services	1,500	1,500	2,055	(555)
Real estate tax abatements	-	2,500	5,550	(3,050)
Miscellaneous expense	12,000	12,000	8,782	3,218
Petty office expenses	300	300	375	(75)
Operating reserve	-	30,000	-	30,000
Total Operating	304,350	408,150	326,984	81,166
Capital outlay	-	-	8,000	(8,000)
Total Administration	615,850	729,650	683,380	46,270
Total General Government	688,450	802,250	752,328	49,922
Public safety				
Personnel				
Salary	471,000	471,000	464,604	6,396
Salary - overtime	5,000	5,000	7,596	(2,596)
Social security taxes	-	-	36,182	(36,182)
Health insurance	35,000	33,500	25,932	7,568
Unemployment insurance	-	-	1,148	(1,148)
Life insurance	1,500	3,000	1,530	1,470
Pension	5,000	5,000	-	5,000
Total Personnel	517,500	517,500	536,992	(19,492)

TOWN OF CAPITOL HEIGHTS, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS
GENERAL FUND
(continued)
For The Year Ended June 30, 2013

	Original Budget	As Amended Budget	Actual	Variance - Favorable (Unfavorable)
Operating				
Professional				
Membership dues and subscriptions		-	75	(75)
Red light camera expenses	2,000	2,000	-	2,000
Training - police officers	3,500	3,500	2,729	771
Professional development	2,000	2,000	1,608	392
Police Chief's expenses	1,000	1,000	849	151
Building				
Building maintenance and repairs	2,500	4,500	4,626	(126)
Electricity	3,500	3,500	3,725	(225)
Gas - heating	2,000	2,000	1,303	697
WSSC - water and sewer	500	750	342	408
Security alarm	1,000	3,500	4,194	(694)
Pest control	1,000	1,000	774	226
Public relations				
Crime watch	500	500	54	446
National night out	500	500	686	(186)
Safety programs	500	500	500	-
Equipment and materials				
Air cards	3,500	5,000	4,912	88
Ammunition	2,500	4,000	6,349	(2,349)
Computer support	4,000	4,000	1,908	2,092
Equipment rental	4,500	4,500	2,825	1,675
Office equipment	3,000	6,000	4,833	1,167
Office supplies	2,500	8,000	8,424	(424)
Uniform cleaning	5,000	4,000	1,355	2,645
Uniforms	6,500	8,500	9,678	(1,178)
Vehicles - gasoline	20,000	27,000	29,124	(2,124)
Vehicles - maintenance and repairs	12,000	20,000	32,128	(12,128)
Weapons	2,000	7,000	6,376	624
Communications				
Radio maintenance and repairs	1,000	1,000	-	1,000
Telephone - land line	2,500	4,500	5,048	(548)
Cell phones	2,000	2,000	2,575	(575)

TOWN OF CAPITOL HEIGHTS, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS
GENERAL FUND
(continued)

For The Year Ended June 30, 2013

	Original Budget	As Amended Budget	Actual	Variance - Favorable (Unfavorable)
Fees and charges				
Insurance - liability (LGIT)	30,000	15,000	14,522	478
Insurance - workmen's comp (IWIF)	80,000	80,000	73,133	6,867
Economic development	-	-	37	(37)
Signage	-	-	167	(167)
Payroll services	2,500	2,500	3,585	(1,085)
Total Operating	204,000	228,250	228,444	(194)
Capital outlay	35,000	45,000	49,338	(4,338)
Total Public Safety	756,500	790,750	814,774	(24,024)
Public works				
Personnel				
Salary	195,000	195,000	188,201	6,799
Salary - overtime	-	-	462	(462)
Social security taxes	-	-	14,744	(14,744)
Health insurance	10,000	10,000	5,835	4,165
Unemployment insurance	5,000	5,000	8,729	(3,729)
Pension	500	500	-	500
Life insurance	-	-	610	(610)
Total Personnel	210,500	210,500	218,581	(8,081)
Operating				
Professional				
Professional development	250	250	160	90
Special projects	4,000	4,000	12,926	(8,926)
Building				
Building maintenance and repairs	500	500	-	500
Electricity	1,000	1,000	1,112	(112)
Gas - heating	250	250	222	28
Security alarm	750	2,250	2,255	(5)
WSSC - water and sewer	150	150	80	70
Landscape	17,000	17,000	17,059	(59)
Janitorial	6,500	6,500	6,240	260

TOWN OF CAPITOL HEIGHTS, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS
GENERAL FUND
(continued)
For The Year Ended June 30, 2013

	Original Budget	As Amended Budget	Actual	Variance - Favorable (Unfavorable)
Equipment and materials				
Equipment maintenance and repairs	1,500	1,500	511	989
Equipment tools	2,200	5,700	6,871	(1,171)
Materials and supplies	8,000	8,000	5,392	2,608
Speed bumps	3,000	3,000	-	3,000
Street maintenance	16,000	16,000	1,456	14,544
Uniform cleaning	500	500	381	119
Vehicles - gasoline	4,000	4,000	1,800	2,200
Vehicle maintenance and repairs	3,000	3,000	298	2,702
Communications				
Telephone - land line	550	550	647	(97)
Cell phones	500	500	-	500
Fees and charges				
Landfill charges	3,500	11,200	9,041	2,159
Liability insurance - LGIT	11,000	11,000	5,755	5,245
Insurance - workmen's comp (IWIF)	30,000	30,000	12,312	17,688
Mosquito control	1,000	1,000	631	369
Payroll services	1,000	1,000	1,889	(889)
Sanitation	280,000	280,000	292,321	(12,321)
Signage (traffic signs)	2,500	2,500	875	1,625
Snow and ice removal	15,000	15,000	4,559	10,441
Storage space rental	1,500	1,500	781	719
Tree removal	10,000	10,000	-	10,000
Grant funded projects				
CDBG PY 37	311,000	311,000	44,500	266,500
Community legacy exp	300,000	350,000	35,820	314,180
CDBG PY 38	200,000	200,000	970	199,030
Street lighting				
Electricity - street lighting	60,000	60,000	61,967	(1,967)
Total Operating	1,296,150	1,358,850	528,831	830,019
Capital outlay	8,000	8,000	7,651	349
Total Public Works	1,514,650	1,577,350	755,063	822,287
Total Expenditures	\$ 2,959,600	\$ 3,170,350	\$ 2,322,165	\$ 848,185

TOWN OF CAPITOL HEIGHTS, MARYLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2013

BUDGETARY INFORMATION

Formal budgetary integration is employed as a management control device during the year for the General Fund. The Town Council approved, by ordinance, the total annual budget consisting of anticipated revenues and proposed expenditures (appropriations). Any subsequent transfer of funds between major appropriations for different purposes must be approved by the Council before becoming effective. All appropriations lapse at the end of the budget year to the extent that they shall not have been expended.

RECONCILIATION OF BUDGETARY BASIS AND GAAP BASIS

Actual results of operations are presented in the Schedule of Revenues and Expenditures - Budget and Actual - Non-GAAP Budgetary Basis - General Fund on the non-GAAP budget basis of accounting in order to provide a meaningful comparison of actual results with budget estimates. There were no reconciling items between the budget basis and GAAP basis.